

Knysna Municipality



Medium Term
Revenue & Expenditure
Framework (MTREF)

Adjustments Budget 2011/2012 - 2013/2014



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Glossary

Adjustments Budget - Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations - Money received from Provincial or National Government or other municipalities.

AFS - Annual Financial Statements.

Budget - The financial plan of the Municipality.

Budget Related Policy - Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

Cash Flow Statement - A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO - Chief Financial Officer

DORA - Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable Share - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure - Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS - Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP - Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

IDP - Integrated Development Plan. The main strategic planning document of the Municipality

KPI's - Key Performance Indicators. Measures of service output and/or outcome.

MFMA - The Municipal Finance Management Act - No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MIG - Municipal Infrastructure Grant

MTREF - Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

NDPG - Neighbourhood Development Partnership Grant

NT - National Treasury

Net Assets - Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure - Spending on the day to day expenses of the Municipality such as salaries and wages.

Rates - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

R&M - Repairs and maintenance on property, plant and equipment.

SALGA - South African Local Government Association

SCM - Supply Chain Management.

SDBIP - Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives - The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Unauthorised expenditure - Generally, spending without, or in excess of, an approved budget.

Virement - A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are usually allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote - One of the main segments into which a budget is divided. In Knysna Municipality this means at directorate level.

PART 1 - ADJUSTMENTS BUDGET

Section 1 - Mayor's Report

This is the first 'proper' Adjustments Budget to be presented by a Democratic Alliance Executive Mayor for over five years.

This is not a political budget per se but it does begin the process of amending and shifting programmes and policies more in line with the views of the majority of our local citizens who voted at the municipal elections in May of 2011. For that reason this Adjustments Budget should be viewed as setting the scene for the forthcoming annual budget which will be tabled at the end of March for approval by Council in May.

That will be a very difficult budget when one considers that it will be held under the backdrop of a predicted nearly 20% ESKOM increase, a new General Valuation Roll with its inevitable incidence shifts, and enormous infrastructure demands being placed on our cash reserves with the unavoidable question of how much should we as a local authority be borrowing and ultimately re-paying to meet those demands.

The Adjustments Budget before us is far more of a technical budget as prescribed under the MFMA Municipal Budget and Reporting Regulations. It is required because of the lower sales in electricity causing revenue issues, but it also allows Council the chance to move funding sources and to adjust spending priorities without moving too far away from the original approved budget.

1.1 Reasons for the adjustments budget

1.1.1 Multi-year funds shifting in relation to the capital program

The main change to the multi-year capital program is in the Technical Services vote and relates to the waste water treatment works in Knysna. The project has been increased by R8,4 million to fast track work required to prevent pollution of the Knysna Lagoon.

Two projects have changed in the Planning and Development vote. Both are funded by government grants. Housing has decreased by R4 million and that has been transferred from the capital to the operating budget for the provision of top structures. The Hornlee Taxi Rank project has increased by R3,3 million.

The change in Financial Services results from a combining a roll over on a small project from 2010/2011 with the larger redesign and refurbishment of the municipal stores complex.

1.1.2 Allocations and grant adjustments

Allocation and grant adjustments are firstly included as a result of the approved National and Provincial Government Adjustments Budgets.

The Neighbourhood Development Partnership Grant (NDPG) was adjusted downwards in the National Adjustments budget by R 880 000¹. This amount is not lost to Knysna but will become part of future National allocations. However, the NDPG has increased in the adjustments budget as a result of the approval by National Treasury to make use of the R 3 600 000 unspent portion from 2010/2011².

The National Adjustments budget also increased the Integrated National Electrification Program (INEP) Grant by R3 million³.

Various other grants were appropriated where they were either unspent at the end of 2010/2011 and have now been approved by the donor body for roll-over, or where new grants have been received which were not included in the original budget.

Finally, provision has been made for the impairment of the grant amounts owed to us by the National Lottery Board for R 99 000 and from EDEN District Municipality for R 432 000.

Details of these are contained Annexure 2, Supporting Table SB7 Adjustments Budget - transfers and grant receipts.

1.1.3 *Adjust revenue and expenditure estimates downwards*

After the mid-year budget and performance assessment Council resolved that the revenue and expenditure estimates be adjusted downwards as a result of the projected electricity revenue shortfall.

Annexure 1, 'Table B4 Adjustments Budget Financial Performance (revenue and expenditure)' shows that the revenue from electricity is to be adjusted downwards by R13,9 million. However, the adjustment to total revenue is an increase of R12 million, since the electricity downward adjustment has been offset by increases made to property rates, water service revenue, fines, other revenue and, the largest contributor, government grants of some R21 million.

Expenditure downward adjustments amount to R4,4 million. The largest cash-related expenditure item to be adjusted is the bulk purchase of electricity. Depreciation and asset impairment make up the largest adjustment. Other expenditure relating to the increased operating grants received make up the largest upward adjustment.

Details of these are contained Annexure 1, Table B4 Adjustments Budget Financial Performance (revenue and expenditure) and Annexure 2, Supporting Table SB1 Supporting detail to 'Budgeted Financial Performance'.

¹ SB7: Capital (R880k)

² SB8: Capital is now R7 721k which includes a transfer of R614k from the operating budget for VAT that was previously recognised as own revenue, the R3 600k unspent portion and the R880k reduction.

³ SB7: Operating R368k for VAT recognised as own revenue on the grant and Capital for R2 632k total R3 million

1.2 Any other information considered relevant by the mayor

Last year at this time the capital expenditure was nothing short of appalling. Progress on capital expenditure this year, currently appears very good and at the end of January 2012 expenditure actually equalled the year-to-date budget. However much of the new capital required is to be spent on fixing the waste water treatment plant to prevent any more sewerage flowing into the Knysna Lagoon.

The balance is to commission the new electricity transformer which will allow development in our Northern Areas and Hornlee to begin faster than previously planned.

The problem going forward is that the waste water projects will require us to seriously deplete our carefully built up cash reserves.

It is the clear constitutional responsibility of a local authority to deliver services and in doing so it must ensure that its assets must be in the ground and not in the bank, however the financial issues surrounding the Treatment Works mean that Council will be very limited in what it will be able to fund in the way of capital projects for a number of years going forward. Essentially Council once again is going to be funding heavy infrastructure as opposed to social infrastructure. The CFO will be looking at alternative funding solutions but all of them are going to require Council issuing financial guarantees in some form or another and those guarantees are going to have to be backed by increased tariff revenues on water and sewerage in some format.

Annexure 4 indicates the detailed capital budget by directorate and has been included with this report. Progress of departments to deliver on the capital budget, which has increased from the original R63 million to R85 million, will be closely monitored by Council.

The Minister of Finance in his recent Budget Speech stated that if capital spending does not improve, he will remove those moneys from the institutions concerned. We are one of those institutions.

Therefore, unless Directors and the Municipal Manager have very good reasons for failing to implement and complete capital projects by the end of the financial year and if those reasons have not been timeously communicated to Council and alternative strategies put in place, then there will be at the very least, performance bonus related implications. Of course a stick requires a carrot and if performance does take place and if those capital projects which are internally funded are brought in on time and under budget then there will also be performance related implications.

1.3 Recommendation to the municipal council regarding the MTREF

Taking into consideration the reasons listed in paragraph 1.1, it is recommended that Council approves the adjustments budget.

1.4 Recommendation to the municipal council regarding the SDBIP

Taking into account the impact that the adjustments budget will have on the SDBIP, it is therefore recommended that Council also approves the revision to the service delivery targets and performance indicators in the service delivery budget and implementation plan as applicable.

Section 2 - Resolutions

Knysna Municipality

ADJUSTMENTS MTREF 2011/2012

RECOMMENDATION:

- [a]. That the annual adjustments budget of Knysna Municipality for the financial year 2011/2012, as set-out in the schedules contained in Section 4, be approved:
 - [i] Table B2: Adjustments Budget Financial Performance (expenditure by standard classification)
 - [ii] Table B3: Adjustments Budget Financial Performance (expenditure by municipal vote)
 - [iii] Table B4: Adjustments Budget Financial Performance (revenue by source)
 - [iv] Table B5: Adjustments Budget Capital Expenditure for both multi-year and single year by vote, standard classification and funding
- [b]. That the following adjustments permitted in terms of section 28(2) of the Municipal Finance Management Act and reflected in the tables referred to in resolution [a] above be approved:
 - [i] That the revenue and expenditure estimates be adjusted downwards as a result of the reduced electricity sales revenues during the current year;
 - [ii] That those additional revenues that have become available over and above those anticipated in the annual budget be appropriated, but only to revise or accelerate spending programmes already budgeted for;
 - [iii] That the utilisation of projected savings in one vote toward spending under another vote be authorised; and
 - [iv] That any errors in the annual budget be corrected.
- [c]. That revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan be approved to correspond with the approval of the adjustments budget

Section 3 - Executive Summary

3.1 Introduction

There are no material implications on service delivery for the remainder of this financial year as a result of this adjustments budget. There will however be an implication on the 2012/2013 base data going forward, most significantly a decline in the revenue base. This will by implication require a reduction in base expenditure in the forthcoming 2012/13 budget to ensure rate and tariff increases are held to levels in broad line with National Treasury guidelines and remain relatively affordable to residents.

When one remembers that the 2012/13 budget also coincides with the new General Valuation (GV) roll, the issue of affordability becomes critical. There are certain areas in the municipality where the increase in property value are in excess of 500% meaning that apart from anything else the new budget is inevitably going to have to be based on lower payment levels and increased bad debt provisions. This in turn means less money in the system and less money to spend on service delivery.

The 2012/13 budget will undoubtedly be an austerity budget. At the very least, there will be less money to spend on any nice-to-haves and there will be a requirement that departments review the services that they do deliver and do so in the most cost-effective and efficient means possible.

3.2 Provision of basic services

There is no effect of the adjustments budget on the provision of basic services. In fact, the new electricity substation in the Northern Areas, funded by a national grant and due for completion before 30 June 2012, will mean that an up-graded service will be put in place in our Northern areas and Hornlee quicker than originally anticipated.

3.3 Effect of the adjustments budget

As stated above the base revenue reductions will impact upon the MTREF going forward. This is of course premised on current IDP and expenditure priorities. A new IDP based on financial realities and revised priorities will have to be put in place for the 2013/14 budget and beyond.

3.3.1 *Service delivery and budget implementation plan*

As there are no material implications on service delivery then therefore the financial impact on the SDBIP is limited. The greatest impact on the SDBIP relates to improvements to SDBIP performance indicators to include quarter one and quarter two SDBIP reviews as

well as the midyear review and Operation Clean Audit Report (OPCAR).

3.3.2 *Long term financial sustainability*

Long term financial sustainability, as has been stated in the MTREF in the last few years, is dubious at best. This is not because of any failings in revenue collection or local tax and tariff policies, over indulgences in expenditure of either a capital or operating nature nor over-borrowings to fund capital expenditure despite what has been mooted from various sources. The financial sustainability of Knysna is under serious threat because of the inability of national and provincial government to grasp the simple point that the current financing model for local government will lead to inevitable financial collapse.

This can be highlighted very simply in the latest fiscal review of the Financial and Fiscal Commission (FFC) dated 31 January 2012. In its analysis of operating income across the various types of municipality the following was highlighted:

- Government Grants (mainly the Equitable Share) to Secondary Cities and Larger Towns amounted to 26% and 27% of all revenue respectively. In Knysna the figure is 15%.
- Property Rates amount to 14% and 21% respectively. Knysna is 27%.
- For Service Charges it is 47% and 40%. Knysna is 52%.
- Investment Revenue is in line at 2% and Other Charges (mainly Traffic Fines) amount to 10%. In Knysna it is 4%.

Figures and percentages such as these can always be misleading especially when it comes to Service Charges and the role of ESKOM. In Knysna Eskom plays only a very minor role as a direct retail supplier therefore the service charge percentage will always trend to the highest level. Nevertheless the following points can be made.

Firstly, Knysna is under-financed through the Equitable Share. National Treasury is aware of this which is why our Share has increased faster than other Western Cape municipalities in recent years.

Secondly, the funding gap left by the lower Equitable Share has had to be filled from rates or service charges or expenditure reductions. In recent years the gap has been predominantly filled from cutting unnecessary departmental expenditure at budget time or freezing staff appointments. This is simply because the ESKOM impact on an individual consumer has been so large that the municipality has, by necessity, already minimised rate and other tariff increases as far as is practically possible.

Whilst it can always be argued that there are wasteful practices within the local authority it should also be noted that these have

been systematically reduced in recent years and although they will never be wholly eliminated, the level of "abuse" is now at a more tolerable level.

The problem with this cutting approach is that it is not sustainable over the longer term if the local economy is not growing concomitantly. Sooner or later you cut muscle and not fat. In Knysna the economy, which is a predominantly service economy based on tourism, has been under severe pressure. Increasing charges and cutting budgets can no longer suffice. What is now required is the far more radical approach whereby Council divests itself of a number of activities or, and more appropriately, Council must cut back on all or at least some of the unfunded mandates it performs and spends money on and either reduce rate and tariff increases or shift its expenditures back to those functions which are set out in the Constitution and onto the primarily basic services as requested by National Treasury in their annual budget circulars.

The list of unfunded mandates performed by Knysna Municipality, and most other municipality's for that matter, is long and varied and ranges from libraries and museums to vehicle licensing and the daddy of them all Housing. Housing currently runs at a deficit of over R14 million in the current year. The actual deficit would be much larger but all the attendant infrastructure assets and their depreciation and interest costs etc., sit in other departments masking the true cost of low income housing.

At a recent forum in Cape Town, which was chaired jointly by the MEC for Local Government and Housing and the MEC for Finance and Tourism, the municipalities of Swartland and Theewaterskloof pointed out the legal and financial risks of performing unfunded mandates and called on National and Provincial Government to take their functions back or fund them 100%. National Treasury has also frequently spoken of the need for local government to only stick to what it is constitutionally required to do because it could be legally challenged.

There is little that can be done in this Adjustment Budget other than to point the way forward. Knysna has reached the point of no return and the issue of unfunded mandates will be a central point in the 2013/2014 Medium Term Revenue and Expenditure Framework (MTREF) for discussion in the forthcoming months.

3.4 Adjustment highlights

Fuller details of the various income and expenditure changes are shown elsewhere in this document.

Operating Budget

The major highlights as detailed in this adjustment process are the reduced revenues projected from electricity service revenue. The electricity decline can be attributed directly to two issues. The first is the continued decline in the economic activity of Knysna as a

result of the recession nationally. Knysna is a holiday town predominantly and our "industrial" activity is therefore reliant as a by-product of the tourism success. Any downturn in national activity immediately effects the secondary economy that is Knysna which in turn reduces its "industrial" spend. Any recovery in this area is always slow and would generally lag 18-24 months behind the national recovery. However, there have been indications that this downturn has been longer to turn around at the local level pushing the recovery time further out to 36 months. There has recently been some indication of green shoots appearing but these are few and far between and recovery remains stubbornly slow

The second impactor remains ESKOM which, with the ridiculous tariffs it has been allowed to get away with, has now caused a clear change in consumption patterns. A multiplier effect has been unnaturally created whereby large tariff increases cause reduced sales which cause higher tariffs to chase the revenue which cause further reduced sales. The effect on a municipality such as Knysna is close to catastrophic. Knysna is a municipality which must operate at 100% for twelve months a year regardless of the fact that the local economy only operates for six months at best.

The biggest irony of the ESKOM debacle is only now starting to become apparent. In a recent report in Parliament an estimate of R35 billion was placed on the maintenance backlog of municipal electrical infrastructure. A further estimate was made that this figure is rising at R2.5 billion a year and that the average age of assets is about 45 years. This of course means that electricity prices will have to rise proportionately further to manage this backlog, it is also very obvious that property taxation will have to rise disproportionately to take up the slack.

The historical municipal balancing act of using electricity surpluses (an exchange transaction to use accountant speak) to lessen the rates (a non-exchange transaction) burden has come under severe pressure in recent years as National Treasury and the Electricity Regulator have fought to ensure that electricity surpluses are kept more within the electricity function rather than cross-subsidising general rate activities. There is equal merit and demerit in the argument. The fact remains that general municipal services are not sustainable or viable in their own right. They must be funded from somewhere. The skill of municipal budget heads is to get the funding mix correct without falling foul of the government watchdogs on the one side and the rate and electricity tariff payers on the other.

The concomitant reduction in bulk electricity purchase costs in this adjustments budget as a direct result of the decreased sales is R8,4 million.

As a result of the reduction in interest rates on the council's floating loans and the delays in taking up new loans, savings of some R4,3 million in finance costs are projected.

Capital Budget

In regard to the capital budget there has been an increase from R66,5 million at the prior adjustment to R85,4 million proposed in this Adjustments Budget. R15,7 million of this will be coming from utilisation of unspent borrowings or from internally generated funds i.e. the capital replacement reserve or cash. Looking at the adjustments on a departmental level, R7 million increase is for electricity and R9,5 million is for waste water management, namely the remedial work required to prevent a re-occurrence of the lagoon pollution. If one looks at the outer year requirements for waste water it shows another R44 million is still required and it is going to destroy all the cash resources we have built up in recent years. Additionally we are still looking at having to borrow another R26 million which in itself could be highly problematic. None of this takes into account the request from the water service to spend R17.3 million in the same period.

3.5 Conclusion

This adjustment budget has necessitated a reduction in operating expenditure specifically due to reduced revenues from electricity sales. These reduced revenues will impact upon future revenue bases unless there is a major compensatory upturn in the growth of the local economy.

On the capital side the biggest issue is the remedial work required at the waste water treatment works. This is a legal requirement but the financial effect will be with us for another six years.

Section 4 - Adjustments budget tables

This adjustments budget is for Knysna Municipality only and does not include a consolidation with KEDA, Knysna Economic Development Agency.

KEDA is currently being wound up, does not deliver a basic service and is now funded mainly via the municipality. For this reason no consolidated tables have been prepared.

Table B1 Adjustments Budget Summary

WC048 Knysna - Table B1 Adjustments Budget Summary - 28 February 2012

Description R thousands	Budget Year 2011/12										Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget A	Prior Adjusted 1 A1	Accum. Funds 2 B	Multi-year capital 3 C	Unfore. Unavail. 4 D	Nat. or Prov. Govt 5 E	Other Adjusts. 6 F	Total Adjusts. 7 G	Adjusted Budget 8 H	Adjusted Budget	Adjusted Budget	
Financial Performance												
Property rates	126 703	–	–	–	–	–	700	700	127 403	138 791	149 471	
Service charges	238 664	–	–	–	–	–	(12 984)	(12 984)	225 680	276 031	319 653	
Investment revenue	10 469	–	–	–	–	–	–	–	10 469	10 921	11 462	
Transfers recognised - operational	70 210	–	–	–	–	19 394	3 867	23 261	93 471	60 234	65 318	
Other own revenue	15 130	–	–	–	–	–	1 031	1 031	16 161	15 823	16 420	
Total Revenue (excluding capital transfers and contributions)	461 176	–	–	–	–	19 394	(7 386)	12 008	473 184	501 800	562 324	
Employee costs	143 362	–	–	–	–	–	(4 094)	(4 094)	139 267	153 982	162 871	
Remuneration of councillors	5 899	–	–	–	–	–	(120)	(120)	5 779	6 235	6 560	
Depreciation & asset impairment	33 817	–	–	–	–	–	(11 763)	(11 763)	22 053	30 256	36 842	
Finance charges	20 363	–	–	–	–	–	(4 319)	(4 319)	16 043	21 322	20 536	
Materials and bulk purchases	123 559	–	–	–	–	–	(7 505)	(7 505)	116 055	152 582	188 954	
Transfers and grants	5 791	–	–	–	–	–	129	129	5 920	6 114	6 457	
Other expenditure	138 828	–	–	–	2 000	16 939	4 350	23 289	162 116	129 094	137 859	
Total Expenditure	471 618	–	–	–	2 000	16 939	(23 323)	(4 384)	467 234	499 586	560 080	
Surplus/(Deficit)	(10 442)	–	–	–	(2 000)	2 455	15 937	16 392	5 950	2 214	2 244	
Transfers recognised - capital	30 243	–	–	–	–	1 752	894	2 646	32 889	49 674	61 252	
Contributions recognised - capital & contributed a	–	–	–	–	–	–	477	477	477	–	–	
Surplus/(Deficit) after capital transfers & contributions	19 801	–	–	–	(2 000)	4 207	17 308	19 515	39 316	51 888	63 496	
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–	–	
Surplus/ (Deficit) for the year	19 801	–	–	–	(2 000)	4 207	17 308	19 515	39 316	51 888	63 496	
Capital expenditure & funds sources												
Capital expenditure	63 011	66 517	–	–	(2 000)	1 752	19 151	18 903	85 420	75 010	88 510	
Transfers recognised - capital	30 243	30 243	–	–	–	1 752	894	2 646	32 889	49 674	61 252	
Public contributions & donations	–	–	–	–	–	–	477	477	477	–	–	
Borrowing	16 645	19 804	–	–	–	–	10 141	10 141	29 945	13 500	12 500	
Internally generated funds	16 123	16 470	–	–	(2 000)	–	7 639	5 639	22 109	11 836	14 758	
Total sources of capital funds	63 011	66 517	–	–	(2 000)	1 752	19 151	18 903	85 420	75 010	88 510	
Financial position												
Total current assets	82 164	82 164	–	–	–	–	18 816	18 816	100 980	116 517	129 387	
Total non current assets	570 593	570 593	–	–	–	–	551 726	551 726	1 122 320	1 189 188	1 266 441	
Total current liabilities	70 940	70 940	–	–	–	–	5 665	5 665	76 605	87 869	98 394	
Total non current liabilities	219 679	219 679	–	–	–	–	10 667	10 667	230 346	246 582	260 873	
Community wealth/Equity	362 139	362 139	–	–	–	–	554 210	554 210	916 349	971 255	1 036 561	
Cash flows												
Net cash from (used) operating	80 484	80 484	–	–	–	–	(17 962)	(17 962)	62 522	93 922	108 688	
Net cash from (used) investing	(70 907)	(74 413)	–	–	–	–	(4 458)	(4 458)	(78 871)	(93 862)	(106 876)	
Net cash from (used) financing	(5 997)	(5 997)	–	–	–	–	(0)	(0)	(5 997)	(1 576)	(3 471)	
Cash/cash equivalents at the year end	9 720	9 720	–	–	–	–	25 242	25 242	34 963	33 447	31 789	
Cash backing/surplus reconciliation												
Cash and investments available	33 463	33 463	–	–	–	–	18 179	18 179	51 642	73 127	94 468	
Application of cash and investments	29 525	29 528	–	–	–	–	11 361	11 361	40 890	68 152	92 488	
Balance - surplus (shortfall)	3 939	3 935	–	–	–	–	6 817	6 817	10 753	4 975	1 980	
Asset Management												
Asset register summary (WDV)	547 025	547 025	–	–	–	–	–	–	547 025	583 142	618 603	
Depreciation & asset impairment	33 817	–	–	–	–	–	(11 763)	(11 763)	22 053	30 256	36 842	
Renewal of Existing Assets	40 102	42 502	–	–	–	–	–	–	42 502	27 224	21 948	
Repairs and Maintenance	27 284	–	–	–	–	–	–	–	27 284	–	–	
Free services												
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–	–	
Revenue cost of free services provided	38 042	–	–	–	–	–	–	–	38 042	41 073	44 342	
Households below minimum service level												
Water:	–	–	–	–	–	–	–	–	–	–	–	
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–	–	
Energy:	–	–	–	–	–	–	–	–	–	–	–	
Refuse:	–	–	–	–	–	–	–	–	–	–	–	

Table B2 Adjustments Budget Financial Performance (standard classification)

WC048 Knysna - Table B2 Adjustments Budget Financial Performance (standard classification) - 28 February 2012

Standard Description	Ref	Budget Year 2011/12										Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget	
R thousands	1, 4	A	A1	B	C	D	E	F	G	H			
Revenue - Standard													
<i>Governance and administration</i>		151 329	-	-	-	-	(854)	5 409	4 555	155 884	167 560	191 329	
Executive and council		5 705	-	-	-	-	-	125	125	5 830	6 209	6 560	
Budget and treasury office		136 851	-	-	-	-	-	601	601	137 452	149 293	160 503	
Corporate services		8 773	-	-	-	-	(854)	4 683	3 829	12 602	12 058	24 266	
<i>Community and public safety</i>		52 700	-	-	-	-	19 000	(358)	18 642	71 342	49 124	50 528	
Community and social services		3 863	-	-	-	-	-	-	-	3 863	2 384	934	
Sport and recreation		943	-	-	-	-	-	200	200	1 143	1 018	1 069	
Public safety		2 366	-	-	-	-	-	880	880	3 246	2 433	2 501	
Housing		45 528	-	-	-	-	19 000	(1 438)	17 562	63 090	43 289	46 024	
Health		-	-	-	-	-	-	-	-	-	-	-	
<i>Economic and environmental services</i>		7 656	-	-	-	-	-	627	627	8 283	6 803	6 991	
Planning and development		2 038	-	-	-	-	-	-	-	2 038	1 973	1 974	
Road transport		5 618	-	-	-	-	-	477	477	6 095	4 830	5 017	
Environmental protection		-	-	-	-	-	-	150	150	150	-	-	
<i>Trading services</i>		279 734	-	-	-	-	3 000	(11 693)	(8 693)	271 041	327 987	374 728	
Electricity		183 126	-	-	-	-	3 000	(12 508)	(9 508)	173 618	217 794	257 820	
Water		48 447	-	-	-	-	-	872	872	49 319	48 950	52 292	
Waste water management		27 649	-	-	-	-	-	(57)	(57)	27 592	39 313	41 457	
Waste management		20 512	-	-	-	-	-	-	-	20 512	21 930	23 159	
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	
Total Revenue - Standard	2	491 419	-	-	-	-	21 146	(6 015)	15 131	506 550	551 474	623 576	
Expenditure - Standard													
<i>Governance and administration</i>		71 937	-	-	-	-	-	(3 730)	(3 730)	68 206	74 371	79 447	
Executive and council		30 777	-	-	-	-	-	(787)	(787)	29 990	32 855	34 781	
Budget and treasury office		15 720	-	-	-	-	-	(1 237)	(1 237)	14 484	14 625	15 550	
Corporate services		25 440	-	-	-	-	-	(1 707)	(1 707)	23 732	26 892	29 116	
<i>Community and public safety</i>		107 451	-	-	-	-	16 939	(1 540)	15 399	122 850	96 976	102 107	
Community and social services		12 101	-	-	-	-	-	(718)	(718)	11 382	12 271	12 913	
Sport and recreation		14 561	-	-	-	-	-	(705)	(705)	13 856	15 315	15 942	
Public safety		24 740	-	-	-	-	-	1 193	1 193	25 933	26 564	27 867	
Housing		51 774	-	-	-	-	16 939	(1 385)	15 554	67 328	38 246	40 555	
Health		4 276	-	-	-	-	-	75	75	4 351	4 580	4 830	
<i>Economic and environmental services</i>		36 862	-	-	-	2 000	-	491	2 491	39 352	38 424	39 155	
Planning and development		6 477	-	-	-	-	-	1 205	1 205	7 682	7 034	7 363	
Road transport		29 059	-	-	-	2 000	-	(878)	1 122	30 181	30 043	30 377	
Environmental protection		1 327	-	-	-	-	-	163	163	1 489	1 347	1 415	
<i>Trading services</i>		255 369	-	-	-	-	-	(18 543)	(18 543)	236 826	289 815	339 371	
Electricity		159 045	-	-	-	-	-	(16 220)	(16 220)	142 825	187 014	230 826	
Water		46 112	-	-	-	-	-	(1 562)	(1 562)	44 551	49 016	51 497	
Waste water management		28 537	-	-	-	-	-	(105)	(105)	28 433	31 152	33 722	
Waste management		21 674	-	-	-	-	-	(656)	(656)	21 018	22 633	23 326	
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	
Total Expenditure - Standard	3	471 618	-	-	-	2 000	16 939	(23 323)	(4 384)	467 234	499 586	560 080	
Surplus/ (Deficit) for the year		19 801	-	-	-	(2 000)	4 207	17 308	19 515	39 316	51 888	63 496	

References

1. Government Finance Statistics Functions and Sub-functions are standardised to assist the compilation of national and international accounts for comparison purposes
2. Total Revenue by standard classification must reconcile to Total Operating Revenue shown in the Adjustments Budget Financial Performance (revenue and expenditure)
3. Total Operating Expenditure by standard classification must reconcile to Total Operating Expenditure shown in the Adjustments Budget Financial Performance (revenue and expenditure)
4. All amounts must be classified under a standard classification (modified GFS). The GFS function 'Other' is only for Abattoirs, Air Transport, Markets and Tourism - and if used must be supported by footnotes. Nothing else may be placed under 'Other'. Assign associate share to relevant classification
5. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
6. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)
7. Increases of funds approved under MFMA section 31
8. Adjustments approved in accordance with MFMA section 29
9. Adjustments to transfers from National or Provincial Government
10. Adjusts. = 'Other' Adjustments proposed to be approved: including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b); projected savings (section 28(2)(d)); error correction (section 28(2)(f))
11. $G = B + C + D + E + F$
12. Adjusted Budget H = (A or A1/2 etc) + G

The table in terms of standard classification is required by National Treasury to be able to compare all local authorities and prepare consolidated governmental reports.

For specific information relating to the macro structure of the municipality and specific revenue and expenditure types, refer to Table B3 and Table B4.

Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote)

WC048 Knysna - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) - 28 February 2012

Vote Description <i>[Insert departmental structure etc]</i> R thousands	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavail.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget		
		A	A1	B	C	D	E	F	G	H		
Revenue by Vote	1											
Vote 1 - Executive & Council		5 705	-	-	-	-	-	125	125	5 830	6 209	6 560
Vote 2 - Corporate Services		3 186	-	-	-	-	26	432	458	3 644	3 431	3 597
Vote 3 - Financial Services		136 881	-	-	-	-	-	601	137 482	149 323	160 533	
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		52 566	-	-	-	-	18 120	2 312	20 432	72 998	53 262	67 998
Vote 6 - Community Services		31 964	-	-	-	-	-	1 731	1 731	33 695	32 224	32 334
Vote 7 - Electrical Services		183 126	-	-	-	-	3 000	(12 508)	(9 508)	173 618	217 794	257 820
Vote 8 - Technical Services		77 991	-	-	-	-	-	1 292	1 292	79 283	89 231	94 734
Total Revenue by Vote	2	491 419	-	-	-	-	21 146	(6 015)	15 131	506 550	551 474	623 576
Expenditure by Vote	1											
Vote 1 - Executive & Council		30 777	-	-	-	-	-	(787)	(787)	29 990	32 855	34 781
Vote 2 - Corporate Services		12 084	-	-	-	-	-	1 432	1 432	13 515	12 328	13 202
Vote 3 - Financial Services		16 017	-	-	-	-	-	(1 440)	(1 440)	14 577	14 782	15 734
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		65 422	-	-	-	-	16 939	(1 563)	15 376	80 797	53 135	56 703
Vote 6 - Community Services		81 199	-	-	-	-	-	(967)	(967)	80 232	85 105	88 315
Vote 7 - Electrical Services		162 434	-	-	-	-	-	(16 363)	(16 363)	146 071	190 967	235 410
Vote 8 - Technical Services		103 686	-	-	-	2 000	-	(3 635)	(1 635)	102 052	110 415	115 935
Total Expenditure by Vote	2	471 618	-	-	-	2 000	16 939	(23 323)	(4 384)	467 234	499 586	560 080
Surplus/ (Deficit) for the year	2	19 801	-	-	-	(2 000)	4 207	17 308	19 515	39 316	51 888	63 496

Supporting detail for the major changes to the high-level votes is shown below:

Increases		Decreases	
Category	R'000	Category	R'000
<i>Vote 1: Executive & Council</i>			
Transfer of a portion of the Ward Based Capital budget projects to the operating for ward clean ups	324	Employee related costs and remuneration of councillors (Savings on lower than budgeted salary increase and vacant posts not filled)	1 235
Roll over of Provincial performance management grant	125		
Reporting to the public	133		
<i>Vote 2: Corporate Services</i>			
Depreciation	705	Employee related costs (Savings on lower than budgeted salary increase and vacant posts not filled)	587
EDEN intern grant (fully impaired, i.e. provision made that EDEN will not transfer the grant money to us to fund the program as per originally determined)	432		
Legal fees	150		

Increases		Decreases	
Category	R'000	Category	R'000
<i>Vote 2: Corporate Services (continued)</i>			
Training costs related to competency requirements of MFMA regulations	235		
<i>Vote 3: Financial Services</i>			
Depreciation	305	Employee related costs (Savings on lower than budgeted salary increase and vacant posts not filled)	1 687 210
Collection costs	200		
Licence and registration fees for software	200		
Postage and account delivery costs	100		
<i>Vote 5: Planning & Development</i>			
Housing projects funded by provincial grant	20 500	Employee related costs (Savings on lower than budgeted salary increase and vacant posts not filled)	316
		Depreciation	3 977
		Finance charges	583
<i>Vote 6: Community Services</i>			
Employee related costs (volunteers and overtime netted off against savings from vacancies)	388	Depreciation	1 711
Life guard contracted services	396	Finance charges	444
Repairs and maintenance on parks program and refuse waste removal transfer station	204		
<i>Vote 7: Electrical Services</i>			
None		Depreciation	2 141
		Finance charges	1 495
		Bulk purchases from ESKOM	8 400
		R&M moved to capital budget	4 004

Increases			Decreases		
Category	R'000	Category	R'000		
<i>Vote 8: Technical Services</i>					
Other materials including chemicals for water purification	610	Employee related costs (Savings on lower than budgeted salary increase and vacant posts not filled)	509		
Hire charges for emergency generators at sewerage works during ESKOM power outage	345	Depreciation	4 796		
R&M including items related to unforeseen and unavoidable on WWTW and flood damages	4 189	Finance charges	1 656		

Table B4 Adjustments Budget Financial Performance (revenue and expenditure)

WC048 Knysna - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 28 February 2012

Description	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavail.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget		
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Revenue By Source												
Property rates	2	124 931	-	-	-	-	-	700	700	125 631	136 911	147 478
Property rates - penalties & collection charges		1 772	-	-	-	-	-	-	-	1 772	1 880	1 993
Service charges - electricity revenue	2	173 915	-	-	-	-	-	(13 856)	(13 856)	160 059	207 758	247 199
Service charges - water revenue	2	39 278	-	-	-	-	-	872	872	40 150	41 788	44 717
Service charges - sanitation revenue	2	9 523	-	-	-	-	-	-	-	9 523	9 983	10 484
Service charges - refuse revenue	2	13 506	-	-	-	-	-	-	-	13 506	14 211	14 975
Service charges - other		2 442	-	-	-	-	-	-	-	2 442	2 291	2 278
Rental of facilities and equipment		4 853	-	-	-	-	-	-	-	4 853	5 243	5 503
Interest earned - external investments		6 786	-	-	-	-	-	-	-	6 786	7 126	7 553
Interest earned - outstanding debtors		3 683	-	-	-	-	-	-	-	3 683	3 795	3 909
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines		2 282	-	-	-	-	-	880	880	3 162	2 352	2 422
Licences and permits		1 787	-	-	-	-	-	-	-	1 787	1 910	2 062
Agency services		1 698	-	-	-	-	-	-	-	1 698	1 706	1 715
Transfers recognised - operating		70 210	-	-	-	-	19 394	3 867	23 261	93 471	60 234	65 318
Other revenue	2	4 344	-	-	-	-	-	151	151	4 495	4 446	4 552
Gains on disposal of PPE		166	-	-	-	-	-	-	-	166	166	166
Total Revenue (excluding capital transfers and contributions)		461 176	-	-	-	-	19 394	(7 386)	12 008	473 184	501 800	562 324
Expenditure By Type												
Employee related costs		143 362	-	-	-	-	-	(4 094)	(4 094)	139 267	153 982	162 871
Remuneration of councillors		5 899	-	-	-	-	-	(120)	(120)	5 779	6 235	6 560
Debt impairment		13 053	-	-	-	-	-	377	377	13 430	14 733	16 639
Depreciation & asset impairment		33 817	-	-	-	-	-	(11 763)	(11 763)	22 053	30 256	36 842
Finance charges		20 363	-	-	-	-	-	(4 319)	(4 319)	16 043	21 322	20 536
Bulk purchases		109 455	-	-	-	-	-	(8 400)	(8 400)	101 055	137 914	173 772
Other materials		14 104	-	-	-	-	-	895	895	15 000	14 668	15 182
Contracted services		12 726	-	-	-	-	-	416	416	13 142	13 235	13 698
Transfers and grants		5 791	-	-	-	-	-	129	129	5 920	6 114	6 457
Other expenditure		113 049	-	-	-	2 000	16 939	3 556	22 495	135 544	101 126	107 522
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		471 618	-	-	-	2 000	16 939	(23 323)	(4 384)	467 234	499 586	560 080
Surplus/(Deficit)												
Transfers recognised - capital		(10 442)	-	-	-	(2 000)	2 455	15 937	16 392	5 950	2 214	2 244
Contributions		30 243	-	-	-	-	1 752	894	2 646	32 889	49 674	61 252
Contributed assets		-	-	-	-	-	-	477	477	-	-	-
Surplus/(Deficit) before taxation		19 801	-	-	-	(2 000)	4 207	17 308	19 515	39 316	51 888	63 496
Taxation		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		19 801	-	-	-	(2 000)	4 207	17 308	19 515	39 316	51 888	63 496
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		19 801	-	-	-	(2 000)	4 207	17 308	19 515	39 316	51 888	63 496
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		19 801	-	-	-	(2 000)	4 207	17 308	19 515	39 316	51 888	63 496

Additional supporting detail can be found in Annexure 2, 'Supporting Table SB1: Supporting detail to 'Budgeted Financial Performance'.

It is important that the supporting detail be looked at quite critically. Thus for example although Employee related costs have fallen by some R4 million because of the removal of the unspent salary portion, it is interesting to note the increase of 42% in overtime costs. This is clearly an area the Auditor-General will be looking at in their audit of 2011/2012.

Some of the major changes to revenue by source are explained below:

Revenue by source	Inc/(dec) R'000
<i>Service charges - electricity revenue</i>	
This is the driving factor behind adjusting the revenue estimates downwards and the concomitant requirement to adjust expenditure estimates as well. Payment levels on rates and services are higher than budgeted however the consumption figures at mid-year project a shortfall by year end necessitating a downward adjustment.	(13 856)
<i>Transfers recognised - operating & capital</i>	
Adjustments to transfers recognised flow from: adjustments in national and provincial budgets, approved roll overs, new grants received and movements/corrections between operating and capital grants.	23 261

Some of the major changes to expenditure by type are explained below:

Expenditure by type	Inc/(dec) R'000
<i>Employee related costs and remuneration</i>	
The adjustments budget takes into account budgeted vacancies that were not yet filled by 31 January 2012, and increases allowed to staff and councillors.	(4 214)
<i>Depreciation and asset impairment</i>	
The budgeted depreciation has been adjusted to be in line with the 2010/2011 audited outcomes which reflect the implementation of GRAP 16 and GRAP 17.	(11 763)
<i>Finance charges</i>	
Due to new borrowings being taken up later than expected in the prior and current financial years, savings on finance charges are projected.	(4 319)
<i>Bulk purchases</i>	
The decline in electricity consumption has a direct impact on the amount of electricity purchased from ESKOM, thus resulting in a projected saving.	(8 400)
<i>Other expenditure</i>	
The largest component of this is for the impact of changes to expenditure on grant programs	21 420

Table B5 Adjustments Capital Expenditure Budget by vote and funding

WC048 Knysna - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 28 February 2012

Description	Ref	Budget Year 2011/12										Budget Year +1 2012/13	Budget Year +2 2013/14	
		Original Budget A	Prior Adjusted 5 A1	Accum. Funds 6 B	Multi-year capital 7 C	Unfore. 8 D	Nat. or Prov. Govt 9 E	Other Adjusts. 10 F	Total Adjusts. 11 G	Adjusted Budget 12 H	Adjusted Budget			
R thousands														
Capital expenditure - Vote														
Multi-year expenditure to be adjusted	2													
Vote 1 - Executive & Council		500	500	-	-	-	-	-	-	500	1 000	2 500		
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-	-		
Vote 3 - Financial Services		4 000	4 000	-	-	-	-	72	72	4 072	3 000	500		
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-		
Vote 5 - Planning & Development		11 404	11 404	-	-	-	(880)	196	(684)	10 720	25 496	37 022		
Vote 6 - Community Services		-	-	-	-	-	-	-	-	-	-	-		
Vote 7 - Electrical Services		8 245	9 343	-	-	-	-	-	-	9 343	-	-		
Vote 8 - Technical Services		15 643	15 643	-	-	-	-	8 384	8 384	24 027	8 268	-		
Capital multi-year expenditure sub-total	3	39 792	40 890	-	-	-	(880)	8 652	7 772	48 662	37 764	40 022		
Single-year expenditure to be adjusted	2													
Vote 1 - Executive & Council		2 909	2 909	-	-	-	-	(814)	(814)	2 095	133	147		
Vote 2 - Corporate Services		264	264	-	-	-	-	(9)	(9)	255	68	74		
Vote 3 - Financial Services		868	1 140	-	-	-	-	778	778	1 918	631	640		
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-		
Vote 5 - Planning & Development		2 041	2 420	-	-	-	-	1 212	1 212	3 632	1 855	2 249		
Vote 6 - Community Services		4 505	4 905	-	-	-	-	741	741	5 646	4 504	981		
Vote 7 - Electrical Services		2 739	3 569	-	-	-	2 632	4 398	7 030	10 599	3 288	4 745		
Vote 8 - Technical Services		9 893	10 420	-	-	(2 000)	-	4 193	2 193	12 613	26 767	39 652		
Capital single-year expenditure sub-total		23 219	25 627	-	-	(2 000)	2 632	10 499	11 131	36 758	37 246	48 488		
Total Capital Expenditure - Vote		63 011	66 517	-	-	(2 000)	1 752	19 151	18 903	85 420	75 010	88 510		
Capital Expenditure - Standard														
Governance and administration		13 503	13 775	-	-	-	(880)	4 775	3 895	17 670	12 483	22 503		
Executive and council		3 409	3 409	-	-	-	-	(814)	(814)	2 595	1 133	2 647		
Budget and treasury office		1 878	1 878	-	-	-	-	(135)	(135)	1 743	1 112	119		
Corporate services		8 216	8 488	-	-	-	(880)	5 724	4 844	13 332	10 238	19 737		
Community and public safety		12 663	13 192	-	-	-	-	(2 722)	(2 722)	10 470	23 294	22 338		
Community and social services		2 900	2 900	-	-	-	-	(44)	(44)	2 856	2 684	-		
Sport and recreation		-	150	-	-	-	-	200	200	350	385	-		
Public safety		805	805	-	-	-	-	(72)	(72)	733	-	726		
Housing		8 958	9 337	-	-	-	-	(2 806)	(2 806)	6 531	20 225	21 612		
Economic and environmental services		4 942	5 579	-	-	(2 000)	-	3 015	1 015	6 594	5 687	6 055		
Road transport		4 942	5 579	-	-	(2 000)	-	3 015	1 015	6 594	5 687	6 055		
Trading services		31 903	33 971	-	-	-	-	2 632	14 083	16 715	50 686	33 546	37 614	
Electricity		10 984	12 912	-	-	-	-	2 632	4 398	7 030	19 942	3 288	4 745	
Water		7 093	7 183	-	-	-	-	-	17	17	7 200	12 691	4 750	
Waste water management		13 226	13 026	-	-	-	-	-	9 487	9 487	22 513	16 357	28 119	
Waste management		600	850	-	-	-	-	181	181	1 031	1 210	-		
Total Capital Expenditure - Standard	3	63 011	66 517	-	-	(2 000)	1 752	19 151	18 903	85 420	75 010	88 510		
Funded by:														
National Government		22 523	22 523	-	-	-	1 752	4 214	5 966	28 489	28 632	40 687		
Provincial Government		7 720	7 720	-	-	-	-	(3 785)	(3 785)	3 935	21 042	20 565		
District Municipality		-	-	-	-	-	-	-	-	-	-	-		
Other transfers and grants		-	-	-	-	-	-	465	465	465	-	-		
Total Capital transfers recognised	4	30 243	30 243	-	-	-	1 752	894	2 646	32 889	49 674	61 252		
Public contributions & donations		-	-	-	-	-	-	477	477	-	-	-		
Borrowing		16 645	19 804	-	-	-	-	10 141	10 141	29 945	13 500	12 500		
Internally generated funds		16 123	16 470	-	-	(2 000)	-	7 639	5 639	22 109	11 836	14 758		
Total Capital Funding		63 011	66 517	-	-	(2 000)	1 752	19 151	18 903	85 420	75 010	88 510		

An explanation of the changes in government allocations is provided in paragraph 1.1.2 of the Mayor's report. Detailed amendments to grant expenditures are also given in Annexure 2, 'Supporting Table SB8 Adjustments Budget - expenditure on transfers and grant programme'. These relate to the multi-year capital and national or provincial government amendments as well as the district and other grants adjustments.

The other adjustments include items such as:

- Fast tracking of phase 1 (introduction of a belt press) of the multi-year capital project approved for the Knysna Waste Water Treatment Plant;
- A public contributions received to partly fund the upgrade of Welbedacht Road

- Internally generated funds have been transferred from the operating budget where expenditure is classified as capital in nature and not repairs and maintenance. This is primarily for items such as asset replacement and refurbishments.

Additional supporting tables relating to capital expenditure are given in Section 7.

Table B6 Adjustments Budget Financial Position

WC048 Knysna - Table B6 Adjustments Budget Financial Position - 28 February 2012

Description	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
ASSETS												
Current assets												
Cash		2 372	2 372	–	–	–	–	31 083	31 083	33 456	33 447	31 789
Call investment deposits	1	8 048	8 048	–	–	–	–	(6 541)	(6 541)	1 507	–	–
Consumer debtors	1	60 982	60 982	–	–	–	–	–	–	60 982	74 903	89 001
Other debtors		8 500	8 500	–	–	–	–	(5 557)	(5 557)	2 943	5 851	5 991
Current portion of long-term receivables		232	232	–	–	–	–	(169)	(169)	63	33	18
Inventory		2 030	2 030	–	–	–	–	–	–	2 030	2 282	2 589
Total current assets		82 164	82 164	–	–	–	–	18 816	18 816	100 980	116 517	129 387
Non current assets												
Long-term receivables		500	500	–	–	–	–	4	4	505	545	589
Investments		23 043	23 043	–	–	–	–	(6 364)	(6 364)	16 680	39 680	62 680
Investment property		89	89	–	–	–	–	160 352	160 352	160 441	163 520	170 467
Investment in Associate		–	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	1	546 936	546 936	–	–	–	–	395 018	395 018	941 954	982 438	1 029 409
Agricultural		–	–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	88	88	88	88	88
Intangible		–	–	–	–	–	–	2 627	2 627	2 652	2 918	3 209
Other non-current assets		25	25	–	–	–	–	–	–	–	–	–
Total non current assets		570 593	570 593	–	–	–	–	551 726	551 726	1 122 320	1 189 188	1 266 441
TOTAL ASSETS		652 757	652 757	–	–	–	–	570 543	570 543	1 223 300	1 305 706	1 395 829
LIABILITIES												
Current liabilities												
Bank overdraft		–	–	–	–	–	–	–	–	–	–	–
Borrowing		15 162	15 162	–	–	–	–	–	–	15 162	16 854	18 736
Consumer deposits		9 795	9 795	–	–	–	–	–	–	9 795	10 299	10 904
Trade and other payables		33 244	33 244	–	–	–	–	5 665	5 665	38 909	49 029	56 571
Provisions		12 739	12 739	–	–	–	–	–	–	12 739	11 687	12 184
Total current liabilities		70 940	70 940	–	–	–	–	5 665	5 665	76 605	87 869	98 394
Non current liabilities												
Borrowing	1	158 555	158 555	–	–	–	–	(5 620)	(5 620)	152 935	151 076	147 256
Provisions	1	61 124	61 124	–	–	–	–	16 287	16 287	77 411	95 507	113 618
Total non current liabilities		219 679	219 679	–	–	–	–	10 667	10 667	230 346	246 582	260 873
TOTAL LIABILITIES		290 618	290 618	–	–	–	–	16 332	16 332	306 951	334 451	359 267
NET ASSETS	2	362 139	362 139	–	–	–	–	554 210	554 210	916 349	971 255	1 036 561
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		351 530	351 530	–	–	–	–	551 161	551 161	902 691	933 379	975 875
Reserves		10 608	10 608	–	–	–	–	3 049	3 049	13 658	37 876	60 686
TOTAL COMMUNITY WEALTH/EQUITY		362 139	362 139	–	–	–	–	554 210	554 210	916 349	971 255	1 036 561

Additional supporting detail can be found in Annexure 2, 'Supporting Table SB2: Supporting detail to 'Budgeted Financial Position'.

The adjustments budget has taken into account changes between projected year end balances for 30 June 2011, which informed the budgeted financial position for 2011/12, and the final audited outcomes. Most notable are these are the implementation of GRAP 16 and GRAP 17 in the 2010/11 financial year.

The yearend closing balances plus the budgeted outcomes for 2011/12 are now reflected in the Table B6.

Table B7 Adjustments Budget Cash Flows

WC048 Knysna - Table B7 Adjustments Budget Cash Flows - 28 February 2012

Description	Ref	Budget Year 2011/12										Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget	Prior 3	Accum. 4	Multi-year capital 5	Unfore. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget		
		A	A1	B	C	D	E	F	G	H			
R thousands													
CASH FLOW FROM OPERATING ACTIVITIES													
Receipts													
Ratepayers and other		369 442	369 442	–	–	–	–	–	(10 342)	(10 342)	359 100	418 625	471 801
Government - operating	1	70 210	70 210	–	–	–	–	22 915	22 915	93 125	60 234	65 318	
Government - capital	1	30 243	30 243	–	–	–	–	(1 769)	(1 769)	28 474	49 674	61 252	
Interest		5 073	5 073	–	–	–	–	1 713	1 713	6 786	7 126	7 553	
Dividends		–	–	–	–	–	–	–	–	–	–	–	
Payments													
Suppliers and employees		(374 132)	(374 132)	–	–	–	–	(34 788)	(34 788)	(408 920)	(420 415)	(476 700)	
Finance charges		(20 352)	(20 352)	–	–	–	–	4 309	4 309	(16 043)	(21 322)	(20 536)	
Transfers and Grants	1	–	–	–	–	–	–	–	–	–	–	–	
NET CASH FROM/(USED) OPERATING ACTIVITIES		80 484	80 484	–	–	–	–	(17 962)	(17 962)	62 522	93 922	108 688	
CASH FLOWS FROM INVESTING ACTIVITIES													
Receipts													
Proceeds on disposal of PPE		166	166	–	–	–	–	–	–	166	166	166	
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–	–	
Decrease (Increase) other non-current receivables		65	65	–	–	–	–	–	–	65	232	43	
Decrease (Increase) in non-current investments		(8 127)	(8 127)	–	–	–	–	10 124	10 124	1 997	(23 000)	(23 000)	
Payments													
Capital assets		(63 011)	(66 517)	–	–	–	–	(14 582)	(14 582)	(81 099)	(71 260)	(84 085)	
NET CASH FROM/(USED) INVESTING ACTIVITIES		(70 907)	(74 413)	–	–	–	–	(4 458)	(4 458)	(78 871)	(93 862)	(106 876)	
CASH FLOWS FROM FINANCING ACTIVITIES													
Receipts													
Short term loans		–	–	–	–	–	–	–	–	–	–	–	
Borrowing long term/refinancing		8 245	8 245	–	–	–	–	(0)	(0)	8 245	13 500	12 500	
Increase (decrease) in consumer deposits		420	420	–	–	–	–	–	–	420	504	605	
Payments													
Repayment of borrowing		(14 662)	(14 662)	–	–	–	–	–	–	(14 662)	(15 580)	(16 576)	
NET CASH FROM/(USED) FINANCING ACTIVITIES		(5 997)	(5 997)	–	–	–	–	(0)	(0)	(5 997)	(1 576)	(3 471)	
NET INCREASE/ (DECREASE) IN CASH HELD		3 580	74	–	–	–	–	(22 420)	(22 420)	(22 346)	(1 515)	(1 659)	
Cash/cash equivalents at the year begin:	2	6 140	9 646	–	–	–	–	47 662	47 662	57 309	34 963	33 447	
Cash/cash equivalents at the year end:	2	9 720	9 720	–	–	–	–	25 242	25 242	34 963	33 447	31 789	

The budgeted cash flow now takes into account the audited actual closing balance for 2010/11 which was R57,3 million.

Table B8 Cash backed reserves/accumulated surplus reconciliation

WC048 Knysna - Table B8 Cash backed reserves/accumulated surplus reconciliation - 28 February 2012

Description	Ref	Budget Year 2011/12										Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget	Prior 3	Accum. 4	Multi-year capital 5	Unfore. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget		
		A	A1	B	C	D	E	F	G	H			
R thousands													
Cash and investments available													
Cash/cash equivalents at the year end	1	9 720	9 720	–	–	–	–	25 242	25 242	34 963	33 447	31 789	
Other current investments > 90 days		700	700	–	–	–	–	(700)	(700)	(0)	–	–	
Non current assets - Investments	1	23 043	23 043	–	–	–	–	(6 364)	(6 364)	16 680	39 680	62 680	
Cash and Investments available:		33 463	33 463	–	–	–	–	18 179	18 179	51 642	73 127	94 468	
Applications of cash and investments													
Unspent conditional transfers		685	685	–	–	–	–	88	88	773	773	773	
Unspent borrowing		8 624	8 624	–	–	–	–	(8 624)	(8 624)	–	–	–	
Statutory requirements		2 488	–	–	–	–	–	3 089	3 089	5 577	7 935	9 827	
Other working capital requirements	2	(30 077)	(27 585)	–	–	–	–	8 388	8 388	(19 197)	(25 313)	(32 038)	
Other provisions		12 739	12 739	–	–	–	–	–	–	12 739	11 687	12 184	
Long term investments committed		16 622	16 622	–	–	–	–	7 877	7 877	24 499	26 955	29 748	
Reserves to be backed by cash/investments		18 443	18 443	–	–	–	–	544	544	18 987	46 115	71 994	
Total Applications of cash and investments:		29 525	29 528	–	–	–	–	11 361	11 361	43 378	68 152	92 488	
Surplus(shortfall)		3 939	3 935	–	–	–	–	6 817	6 817	8 264	4 975	1 980	

Table B9 Asset Management

WC048 Knysna - Table B9 Asset Management - 28 February 2012

Description	Ref	Budget Year 2011/12										Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavaild.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget		
		A	7	8	9	10	11	12	13	14	H		
R thousands													
CAPITAL EXPENDITURE													
Total New Assets to be adjusted	1	22 909	24 015	—	—	—	1 752	3 932	5 684	29 699	47 786	66 562	
Infrastructure - Road transport		—	637	—	—	—	—	4 590	4 590	5 227	—	—	
Infrastructure - Electricity		1 940	2 319	—	—	—	2 632	220	2 852	5 171	1 527	2 134	
Infrastructure - Water		3 862	3 952	—	—	—	—	(90)	(90)	3 862	11 542	4 000	
Infrastructure - Sanitation		—	—	—	—	—	—	—	—	—	3 435	21 869	
Infrastructure - Other		2 242	2 242	—	—	—	—	(1 540)	(1 540)	702	2 687	1 087	
Infrastructure		8 044	9 150	—	—	—	2 632	3 180	5 812	14 962	19 191	29 090	
Community		13 404	13 404	—	—	—	(880)	12	(868)	12 536	28 180	37 022	
Heritage assets		—	—	—	—	—	—	—	—	—	—	—	
Investment properties		—	—	—	—	—	—	—	—	—	—	—	
Other assets	6	1 461	1 461	—	—	—	—	740	740	2 201	415	450	
Agricultural Assets		—	—	—	—	—	—	—	—	—	—	—	
Biological assets		—	—	—	—	—	—	—	—	—	—	—	
Intangibles		—	—	—	—	—	—	—	—	—	—	—	
Total Renewal of Existing Assets to be adjusted	2	40 102	42 502	—	—	(2 000)	—	15 219	13 219	55 721	27 224	21 948	
Infrastructure - Road transport		2 660	2 660	—	—	(2 000)	—	—	(2 000)	660	3 170	4 200	
Infrastructure - Electricity		10 745	12 673	—	—	—	—	4 030	4 030	16 703	3 000	4 000	
Infrastructure - Water		3 231	3 231	—	—	—	—	90	90	3 321	1 149	750	
Infrastructure - Sanitation		12 666	12 666	—	—	—	—	8 218	8 218	20 884	12 532	6 050	
Infrastructure - Other		—	250	—	—	—	—	—	—	250	—	—	
Infrastructure		29 302	31 480	—	—	(2 000)	—	12 338	10 338	41 818	19 851	15 000	
Community		2 700	2 850	—	—	—	—	465	465	3 315	—	—	
Heritage assets		—	—	—	—	—	—	—	—	—	—	—	
Investment properties		—	—	—	—	—	—	—	—	—	—	—	
Other assets	6	8 100	8 172	—	—	—	—	2 416	2 416	10 588	7 373	6 948	
Agricultural Assets		—	—	—	—	—	—	—	—	—	—	—	
Biological assets		—	—	—	—	—	—	—	—	—	—	—	
Intangibles		—	—	—	—	—	—	—	—	—	—	—	
Total Capital Expenditure to be adjusted	4	2 660	3 297	—	—	(2 000)	—	4 590	2 590	5 887	3 170	4 200	
Infrastructure - Road transport		12 685	14 992	—	—	—	2 632	4 250	6 882	21 874	4 527	6 134	
Infrastructure - Electricity		7 093	7 183	—	—	—	—	(0)	(0)	7 183	12 691	4 750	
Infrastructure - Water		12 666	12 666	—	—	—	—	8 218	8 218	20 884	15 967	27 919	
Infrastructure - Sanitation		2 242	2 492	—	—	—	—	(1 540)	(1 540)	952	2 687	1 087	
Infrastructure		37 346	40 630	—	—	(2 000)	2 632	15 518	16 150	56 780	39 042	44 090	
Community		16 104	16 254	—	—	—	(880)	477	(403)	15 851	28 180	37 022	
Heritage assets		—	—	—	—	—	—	—	—	—	—	—	
Investment properties		—	—	—	—	—	—	—	—	—	—	—	
Other assets	6	9 561	9 633	—	—	—	—	3 156	3 156	12 789	7 788	7 398	
Agricultural Assets		—	—	—	—	—	—	—	—	—	—	—	
Biological assets		—	—	—	—	—	—	—	—	—	—	—	
Intangibles		—	—	—	—	—	—	—	—	—	—	—	
TOTAL CAPITAL EXPENDITURE to be adjusted	2	63 011	66 517	—	—	(2 000)	1 752	19 151	18 903	85 420	75 010	88 510	
ASSET REGISTER SUMMARY - PPE (WDV)	5	23 407	23 407	—	—	—	—	75 663	75 663	99 070	102 240	106 440	
Infrastructure - Road transport		91 288	91 288	—	—	—	—	99 704	99 704	190 992	195 519	201 653	
Infrastructure - Electricity		143 542	143 542	—	—	—	—	30 593	30 593	174 135	186 826	191 576	
Infrastructure - Water		48 075	48 075	—	—	—	—	25 753	25 753	73 828	89 795	117 714	
Infrastructure - Sanitation		155 029	155 029	—	—	—	—	(153 229)	(153 229)	1 800	4 487	5 574	
Infrastructure		461 341	461 341	—	—	—	—	78 484	78 484	539 825	578 867	622 957	
Community		53 433	53 433	—	—	—	—	32 451	32 451	85 884	79 538	75 021	
Heritage assets		554	554	—	—	—	—	1 003	1 003	1 557	1 557	1 557	
Investment properties		89	89	—	—	—	—	160 352	160 352	160 441	163 520	170 467	
Other assets		31 608	31 608	—	—	—	—	283 081	283 081	314 689	322 477	329 875	
Intangibles		—	—	—	—	—	—	88	88	88	88	88	
Agricultural Assets		—	—	—	—	—	—	—	—	—	—	—	
Biological assets		—	—	—	—	—	—	—	—	—	—	—	
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	547 025	547 025	—	—	—	—	555 458	555 458	1 102 483	1 146 046	1 199 964	
EXPENDITURE OTHER ITEMS													
Depreciation & asset impairment	3	33 817	—	—	—	—	—	(11 763)	(11 763)	22 053	30 256	36 842	
Repairs and Maintenance by asset class		27 284	—	—	—	2 000	—	(2 136)	(136)	27 148	30 353	33 199	
Infrastructure - Road transport		3 828	—	—	—	2 000	—	612	2 612	6 440	3 981	4 121	
Infrastructure - Electricity		10 571	—	—	—	—	—	(3 978)	(3 978)	6 593	12 773	15 150	
Infrastructure - Water		2 579	—	—	—	—	—	1 035	1 035	3 614	2 682	2 776	
Infrastructure - Sanitation		2 152	—	—	—	—	—	640	640	2 791	2 238	2 316	
Infrastructure - Other		433	—	—	—	—	—	85	85	518	451	466	
Infrastructure		19 563	—	—	—	2 000	—	(1 607)	393	19 957	22 124	24 829	
Community		1 041	—	—	—	—	—	208	208	1 249	1 083	1 120	
Heritage assets		—	—	—	—	—	—	—	—	—	—	—	
Investment properties		—	—	—	—	—	—	—	—	—	—	—	
Other assets	6	6 679	—	—	—	—	—	(738)	(738)	5 942	7 146	7 249	
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	61 101	—	—	—	2 000	—	(13 900)	(11 900)	49 201	60 609	70 041		
% of capital exp on renewal of assets		63.6%	63.9%							65.2%	36.3%	24.8%	
Renewal of existing assets as % of deprecn		118.6%	0.0%							252.7%	90.0%	59.6%	
R&M as a % of PPE		5.0%	0.0%							2.5%	2.6%	2.8%	
Renewal and R&M as a % of PPE		12.3%	7.8%							7.5%	5.0%	4.6%	

Table B10 Basic service delivery measurement

WC048 Knysna - Table B10 Basic service delivery measurement - 28 February 2012

Description	Ref	Budget Year 2011/12										Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget A	Prior Adjusted 7 A1	Accum. Funds 8 B	Multi-year capital 9 C	Unfore. Unavoid. 10 D	Nat. or Prov. Govt 11 E	Other Adjusts. 12 F	Total Adjusts. 13 G	Adjusted Budget 14 H	Adjusted Budget	Adjusted Budget	
Household service targets (000)	1												
<i>Water:</i>													
Piped water inside dwelling	2												
Piped water inside yard (but not in dwelling)													
Using public tap (at least min. service level)													
Other water supply (at least min. service level)													
<i>Minimum Service Level and Above sub-total</i>													
Using public tap (< min. service level)	3												
Other water supply (< min. service level)													
No water supply	3,4												
<i>Below Minimum Service Level sub-total</i>													
Total number of households	5												
<i>Sanitation/sewerage:</i>													
Flush toilet (connected to sewerage)													
Flush toilet (with septic tank)													
Chemical toilet													
Pit toilet (vented)													
Other toilet provisions (> min. service level)													
<i>Minimum Service Level and Above sub-total</i>													
Bucket toilet													
Other toilet provisions (< min. service level)													
No toilet provisions													
<i>Below Minimum Service Level sub-total</i>													
Total number of households	5												
<i>Energy:</i>													
Electricity (at least min. service level)													
Electricity - prepaid (> min. service level)													
<i>Minimum Service Level and Above sub-total</i>													
Electricity (< min. service level)													
Electricity - prepaid (< min. service level)													
Other energy sources													
<i>Below Minimum Service Level sub-total</i>													
Total number of households	5												
<i>Refuse:</i>													
Removed at least once a week (min. service)													
<i>Minimum Service Level and Above sub-total</i>													
Removed less frequently than once a week													
Using communal refuse dump													
Using own refuse dump													
Other rubbish disposal													
No rubbish disposal													
<i>Below Minimum Service Level sub-total</i>													
Total number of households	5												
Households receiving Free Basic Service	15												
Water (6 kilolitres per household per month)													
Sanitation (free minimum level service)													
Electricity/other energy (50kwh per household per month)													
Refuse (removed at least once a week)													
Cost of Free Basic Services provided (R'000)	16												
Water (6 kilolitres per household per month)													
Sanitation (free minimum level service)													
Electricity/other energy (50kwh per household per month)													
Refuse (removed once a week)													
Total cost of FBS provided (minimum social packa													
Highest level of free service provided													
Property rates (R'000 value threshold)													
Water (kilolitres per household per month)													
Sanitation (kilolitres per household per month)													
Sanitation (Rand per household per month)													
Electricity (kw per household per month)													
Refuse (average litres per week)													
Revenue cost of free services provided (R'000)	17												
Property rates (R15 000 threshold rebate)													
Property rates (other exemptions, reductions and reb		23 211	-	-	-	-	-	-	-	(356)	(356)	22 855	24 860
Water		5 974	-	-	-	-	-	-	-	107	107	6 081	6 460
Sanitation		768	-	-	-	-	-	-	-	-	-	768	822
Electricity/other energy		2 873	-	-	-	-	-	-	-	(270)	(270)	2 603	3 486
Refuse		851	-	-	-	-	-	-	-	-	-	851	912
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	6	4 365	-	-	-	-	-	-	-	135	135	4 500	4 533
Other		-	-	-	-	-	-	-	-	-	-	-	-
Total revenue cost of free services provided (total s		38 042	-	-	-	-	-	-	-	(384)	(384)	37 658	41 073
													44 342

PART 2 - SUPPORTING DOCUMENTATION

Section 5 - Adjustments to budget assumptions

The main adjustment in budget assumptions relates to the projected decline in electricity consumption.

5.1 Revenue

5.1.1 Consumption levels of water and electricity

Budgeted consumption levels indicate a projected revenue shortfall of R13,9 million.

5.1.2 Collection levels

On average collection levels in the current year are on budget.

5.2 Expenditure

5.2.2 Utilising savings on budgeted vacancies

R4,5 million savings from budgeted posts that had not yet been filled at 31 January 2012 were cut from the operating budget.

5.2.3 Savings on bulk purchases

The lower than expected electricity consumption is expected to realise in a saving on bulk electricity purchases from ESKOM of R8,4 million.

5.2.4 Savings on external interest paid

Interest due on floating-rate external loans was calculated based on the average rates between June and December 2010. Steady rates and lower than budgeted rates on new borrowings have resulted in projected savings on external interest payments of R4,3 million.

Section 6 - Adjustments to budget funding

6.1 Summary of the impact of the adjustments budget

6.1.1 *Funding of operating and capital expenditure*

Funding of operating expenditure is still in line with the original budget. The decline in projected consumption revenue has to some level been offset by cuts in employee related costs, savings in bulk charges and finance costs. The cash flow from operating activities has been reduced from R80 million to R62 million which is acceptable for a local authority in the middle of an economic downturn.

The costs of salaries, bulk charges and finance costs constitute some 75% of operating expenditure. Any further cuts into the discretionary portion remaining will directly impact negatively on service delivery and raise concerns locally.

Capital expenditure remains fully funded from secured borrowings, government allocations and internally generated funds.

6.1.2 *Financial plans*

The current MTREF, which coincides with the last year of the 5-year IDP, is fully in line with the financial plans and strategies approved by Council in 2009.

6.1.3 *Reserves*

In recent years Council has implemented a policy of maximising its cash-backed reserves whenever possible. This is a problem, most especially in regard to the reserves supporting water and waste water. The issue cannot be solved in the short term unless rates and tariff charges are increased to a level that is unsustainable.

6.1.4 *Financial sustainability of the municipality*

See comments under paragraph 3.3 of the executive summary.

Refer to Annexure 2 - 'Supporting Table SB6 Adjustments Budget - funding measurement'.

6.2 Expenditure funded in accordance with MFMA section 18

See paragraph 6.1.1 and Table B7.

6.3 Adjustments to collection levels estimated

The budgeted payment ratio used when compiling the monthly cash flow was between 94% and 96%. Payment levels at 30 June 2011 were 96% and the January 2012 payment levels were 95%. No adjustments to payment levels have been factored into this adjustments budget.

Year-on-year payment levels reported in for January 2012:

Month / Year	Actual	Accrued	12 Month Total Actual	12 Month Total Accrued	Current Year	Payment Level						12 Month Increase	
						Previous Years							
						2010/ 2011	2009/ 2010	2008/ 2009	2007/ 2008	2006/ 2007	2005/ 2006	Cash	Accrued
Feb-11	(23,966,122)	12,630,362	(317,725,691.09)	329,369,748.27		96%	92%	92%	98%	99%	97%	14.5%	10.2%
Mar-11	(24,450,411)	14,800,848	(319,596,035.46)	329,499,780.90		97%	92%	92%	98%	99%	96%	13.6%	9.4%
Apr-11	(22,348,591)	15,639,286	(319,484,864.48)	329,558,567.76		97%	92%	93%	99%	100%	95%	12.3%	8.0%
May-11	(24,722,843)	14,236,904	(322,807,549.89)	331,969,218.19		97%	94%	93%	100%	99%	98%	11.9%	9.1%
Jun-11	(25,499,300)	20,624,468	(328,668,894.24)	341,226,094.39		96%	95%	94%	99%	98%	98%	12.4%	11.0%
Jul-11	(23,756,793)	185,669,045	(330,834,492.91)	351,118,042.30	94%	91%	90%	84%	95%	95%	96%	12.1%	8.7%
Aug-11	(37,081,005)	17,675,861	(336,942,850.51)	356,251,366.48	95%	93%	89%	83%	97%	97%	96%	11.2%	9.7%
Sep-11	(49,784,565)	16,794,356	(341,468,381.92)	359,139,348.90	95%	92%	93%	84%	98%	96%	98%	12.9%	10.1%
Oct-11	(32,696,750)	16,924,043	(343,349,859.39)	359,243,557.84	96%	92%	92%	87%	98%	99%	97%	12.6%	8.9%
Nov-11	(27,379,392)	9,110,921	(339,982,263.18)	351,157,256.34	97%	92%	92%	89%	99%	97%	98%	9.8%	5.1%
Dec-11	(27,046,058)	19,720,640	(343,656,928.75)	361,598,648.52	95%	94%	93%	90%	100%	96%	98%	9.7%	8.2%
Jan-12	(28,579,315)	21,906,580	(347,311,146.11)	365,733,312.86	95%	96%	91%	92%	98%	98%	98%	9.1%	10.2%

6.4 Adjustments related to new proposed loans to be raised in the budget year

No new loan proposals have been included in the adjustments budget. However, all available unspent borrowings have been fully utilised in funding the capital budget changes in this adjustments budget.

6.5 Adjustments related to allocations and grants to the municipality, distinguishing between operating and capital, from national government, provincial government, other municipalities and other donors.

Refer to Annexure 2 - 'Supporting Table SB7 Adjustments Budget - transfers and grant receipts'.

Section 7 - Adjustments to expenditure on allocations and grant programmes

Disclosure on expenditure on allocations and grant programmes is done by way of the following tables in Annexure 2:

- Supporting Table SB7 Adjustments Budget - transfers and grant receipts
- Supporting Table SB8 Adjustments Budget - expenditure on transfers and grant programme
- Supporting Table SB9 Adjustments Budget - reconciliation of transfers, grant receipts, and unspent funds

Section 8 - Adjustments to allocations or grants made by the municipality

Refer to Annexure 2, 'Supporting Table SB10 Adjustments Budget - transfers and grants made by the municipality'.

In MFMA Circular 51 page 18, National Treasury has distinguished between revenue foregone and grant expenditures as they relate to the type of rebates given.

Since prior year comparative figures have been prepared based upon the audited AFS, where all rebates are reflected as revenue foregone, for the purposes of this MTREF document the municipality has still reflected all rebates as such and not as grant expenditure.

Section 9 - Adjustments to councillors and board members allowances and employee benefits

Refer to Annexure 2, 'Supporting Table SB11 Adjustments Budget - councillor and staff benefits' for further details.

The original salary increase was budgeted at 7 percent. The increase implemented amounts to 6,08 per cent.

There has been a growing tendency in recent years for departments to utilise salary savings on the normal budget over the first six or seven months to often fund higher value or more appropriate or strategic posts. This practice has now been curtailed. The reason, very simply, is the knock-on cost in outward years is far greater and therefore places more pressure on the rates and tariffs to cover these higher costs. In this budget the salary savings have had to be removed to defray delivery expenditures. Thus whilst the posts and the funding for the un-filled posts going forward for the rest of the financial year have not been removed, the "savings" on not filling the posts have been removed.

Section 10 - Adjustments to service delivery and budget implementation plan

10.1 Quarterly service delivery targets and performance indicators in the SDBIP

Annexure 3, 'Amendments to SDBIP (Mid Year)', reflects all amendments required to Key Performance Indicators (KPI). There are five factors that require changes to the KPI, these are: quarterly reviews, adjustment budget, OPCAR, Mayoral Committee strategic discussions and restructuring of the municipal macrostructure.

During the quarterly reviews held with the Mayor and the various directors PI's were identified that required either adjustment or removal. The reasons for these changes are that they either did not adhere to the SMART principle; were as a result of changes to the organisation and/or functions; or where targets were based on incorrect assumptions or base information.

The impact of the adjustment budget on the SDBIP relates to changes in the capital budget resulting in additional projects and the removal of others. There have also been minor changes due to changes in the allocation of grant funding.

KPIs to address Operation Clean Audit Report and the Mayco strategic discussions have been added to all the directors KPIs to ensure compliance with the goals set out in both documents.

10.2 Key financial indicators

Refer to Annexure 2, 'Supporting Table SB4: Adjustments to budgeted performance indicators and benchmarks'.

10.3 Monthly targets for revenue, expenditure and cash flow

Disclosure on monthly targets for revenue, expenditure and cash flow is made in Annexure 2 in the following Supporting Tables:

10.3.1 Monthly operating budget revenue and expenditure projections

'Supporting Table SB12 Adjustments Budget - monthly revenue and expenditure (municipal vote)' and 'Supporting Table SB13 Adjustments Budget - monthly revenue and expenditure (standard classification)' reflects revenue and expenditure broken down per month for the budget year, and shown in total for the following two years.

'Supporting Table SB14 Adjustments Budget - monthly revenue and expenditure' reflects consolidated projections of revenue by source and expenditure by type for the budget year broken down per month for the budget year, and shown in total for the following two years.

10.3.2 Monthly capital budget revenue and expenditure projections

'Supporting Table SB16 and SB17 Adjustments Budget - monthly capital expenditure (municipal vote) and (standard classification)' show capital expenditure broken down per month for the budget year, and shown in total for the following two years.

10.3.3 Monthly cash flow projections

'Supporting Table SB15 Adjustments Budget - monthly cash flow' sets out receipts by source and payments by type for both operating and capital, broken down per month for the budget year.

Section 11 - Adjustments to capital expenditure

The disclosures on adjustments to the capital programme are provided in Annexure 2 in the following supporting tables:

- Supporting Table SB16 Adjustments Budget - monthly capital expenditure (municipal vote)
- Supporting Table SB17 Adjustments Budget - monthly capital expenditure (standard classification)
- Supporting Table SB18a Adjustments Budget - capital expenditure on new assets by asset class
- Supporting Table SB18b Adjustments Budget - capital expenditure on renewal of existing assets by asset class
- Supporting Table SB18c Adjustments Budget - expenditure on repairs and maintenance by asset class
- WC048 Knysna - Supporting Table SB19 List of capital programmes and projects affected by Adjustments Budget

Section 12 - Other supporting documents

Various supporting documents are attached to enable the reader a fuller understanding of the MTREF adjustments budget. These are:

Annexure 1 – Main Budget Tables

Tables B1 to B10

Annexure 2 – Supporting Budget Tables

Supporting Tables SB1 to SB20

Annexure 3

Amendments to SDBIP (Mid Year)

Annexure 4

Detailed capital budget by directorate/vote

Section 13 - Municipal manager's quality certification

An adjustments budget and supporting documentation must be covered by a quality certificate in the format as per page 75 of the Government Gazette 32141 - 17 April 2009.

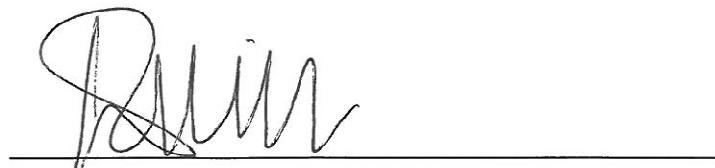
QUALITY CERTIFICATE

I, Lauren Waring, Municipal Manager of Knysna Municipality, hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name LAUREN WARING

Municipal Manager of Knysna Municipality (WC048)

Signature



Date

24.2.12.